



SACRAMENTO NATURAL FOODS CO-OP

The Honorable Dave Cox
California State Senate/Assembly
P.O. Box 942849
Sacramento, CA 942849-0005

Dear Assemblymember Cox,

Back in November, you wrote me a note congratulating me on my becoming the recipient of the National Cooperative Business Association's 2003 Cooperative Service Award. Thank you for noticing and for taking the time to write.

In your letter, you mentioned that if there was ever a legislative matter that you could assist me with, that I should contact you. The breakdown in the state's Worker's Compensation Insurance system has prompted me to take you up on that offer. While the rampant increases in premiums for Workers' Comp coverage have whittled away at the co-op's ability to stay profitable, I have hoped that the legislature would begin to address the issue. Governor Schwarzenegger called a special session of the legislature in November, and still nothing has been done. I urge you to consider the governor's workers' compensation reform legislation, or any alternative that will bring the worker's comp system into a truly workable balance, immediately. The current system is bankrupting employers and not providing adequate coverage for employees.

As the manager of a locally owned retail natural foods cooperative that currently employs 157 people, I have watched our costs for Workers' Compensation insurance spiral out of control over the past three years. The increases have been primarily a function of higher insurance premiums, and not on increases in our experience modifier based on poor claims performance. The tables below detail our history:

Year	Employees	WC premium	Premium /Employee	Payroll	Premium / Payroll	Losses	Loss %
2000	119	\$ 110,559	\$ 929	\$ 2,486,353	4.45%	\$190,304	172%
2001	142	\$ 149,752	\$ 1,055	\$ 2,897,675	5.17%	\$ 38,643	26%
2002	150	\$ 297,281	\$ 1,982	\$ 3,407,176	8.73%	\$ 42,269	14%
2003	157	\$ 436,162	\$ 2,778	\$ 3,773,000	11.56%	\$ 58,127	13%
Total		\$ 993,754	\$ 1,750	\$ 12,564,204	7.91%	\$329,343	33%
Three Year Change	132%	395%	299%	152%	260%		

Year	Employees	Mod Rate	Unmodified Premium	Unmodified Premium/ Employee	Unmodified Premium/ Payroll
2000	119	117%	\$ 94,495	\$ 794	3.80%
2001	142	118%	\$ 126,908	\$ 894	4.38%
2002	150	121%	\$ 245,687	\$ 1,638	7.21%
2003	157	134%	\$ 325,494	\$ 2,073	8.63%
Total			\$ 792,584	\$ 1,395	6.31%
Three Year Change	132%	115%	344%	261%	227%

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As you can see, our unmodified cost per employee has increased by 344% to \$2,073 in three years. As you can also see, our total four year losses represent only 33% of the premiums that we have paid in the past four years. Clearly something is not working with this system. It is particularly obvious to me when I speak to my industry colleagues from out of state, where, for example, a store with a comparable format is paying \$425 per employee. Given that we compete with national chains that are able to blend their high in-state costs with such lower out-of-state costs, we are at a distinct competitive disadvantage. And the 261% increase in the ratio of our unmodified premiums to our payroll are sucking up available dollars and severely limiting our ability to provide better wages and benefits to our employees. Not to mention our ability to operate profitably for the benefit of the community and the more than 9,000 owners of the cooperative.

I know that there are powerful interests that will seek to influence you to maintain the status quo, and I hope that the information that I am providing will help you to formulate a counter argument. If California is to have a business environment in which all types of businesses – and not only the medical and insurance industries – can prosper and thus create good jobs and keep money circulating locally, then action must be taken to reverse the one-way direction in which funds have been flowing out of those businesses over the past three years.

Again, thanks for your prior recognition of the award that I received, and for your attention to this issue. I would be happy to talk with you about this issue at any time.

Sincerely,
Paul Cultrera



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